

DOCUMENT RESUME

ED 265 645

EA 018 137

TITLE Financing Education in Minnesota, 1985-86. A Report by the Minnesota Senate Education Committee.

INSTITUTION Minnesota Senate, St. Paul. Education Committee.

PUB DATE Aug 85

NOTE 52p.

PUB TYPE Guides - Non-Classroom Use (055) -- Reports - Descriptive (141)

EDRS PRICE MF01/PC03 Plus Postage.

DESCRIPTORS Categorical Aid; *Educational Finance; Elementary Secondary Education; Equalization Aid; Foundation Programs; Property Taxes; School Taxes; *State Aid; State School District Relationship; Tax Rates

IDENTIFIERS *Minnesota

ABSTRACT

The formulas used to determine the financial support available to Minnesota's school districts from the state are presented in this booklet along with examples of their application in a hypothetical district. The booklet first reviews a number of terms used in discussing Minnesota's aid program, then describes the foundation programs and categorical programs available. The foundation programs are funded through a combination of state aid and local property taxes, and include basic foundation aid, a cost differential allowance, minimum aid, shared-time aid, summer program aid, a declining enrollment allowance, and four additional tiers of aid replacing previous state aid programs. The booklet explains how each of these aid sources is tapped, how state and local contributions to each are established, how present aid components and previous programs compare, and how the elements of the aid formulas are determined. Categorical aid programs covered in the booklet provide support for capital expenditures, community education, early childhood family education, programs for the gifted and those limited in English proficiency, interdistrict cooperation, special education, transportation, vocational programs, and other programs. The booklet concludes with discussions of property tax relief, property tax levies, district operating revenues, and educational finance appropriations. (PGD)

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FINANCING EDUCATION IN MINNESOTA 1985-86

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EA 018 137

A REPORT BY THE
MINNESOTA SENATE EDUCATION COMMITTEE

August, 1985

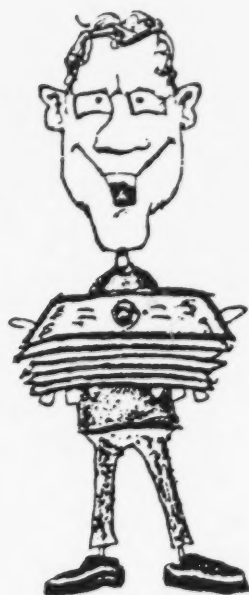
EDUCATION REVENUE



TOTAL DOLLARS = LOCAL LEVY + STATE AID

TOTAL DOLLARS

PUPIL UNITS
X
FORMULA ALLOWANCE



LOCAL LEVY

MILL RATE
X
TAXABLE VALUE



STATE AID

TOTAL DOLLARS - LOCAL LEVY 5

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MINNESOTA EDUCATION FINANCE TERMS - GENERAL OVERVIEW

1. Foundation Aid Program - The method by which school districts receive the majority of their financial support. The foundation aid program includes a number of components which are funded by a combination of state aids and local property taxes. The components include:

A. Basic Foundation Aid & Basic Maintenance Levy, Equalizing Factor, AFDC

This establishes the basic level of finance for school districts. The foundation aid is determined by subtracting the amount raised by the basic maintenance levy from the formula allowance.

<u>School Year</u>	<u>Foundation Aid Formula Allowance</u>	<u>Basic Maintenance Levy</u>
1979-80	\$1182	27 mills
1980-81	1265	23 mills
1981-82	1333	21 mills
1982-83	1346*	24 mills
1983-84	1475	24 mills
1984-85	1475	24 mills
1985-86	1585	23.5 mills
1986-87	1690	23 mills

* The 1982-83 formula allowance was set at \$1346 although the appropriation was adequate to fund only \$1313.

The Equalizing Factor is determined by dividing the basic foundation aid formula allowance by the basic maintenance levy ($1585 \div .0235 = 67,447$).

The basic formula also includes an allowance for the number of AFDC students in the district. This is added to the \$1585 and results in different basic allowances in many districts.

B. Tier 1 (Cost Differential Tier) Allowance

The Tier 1 (or Cost Differential Tier) revenue allowance is equal to 2 times the district's sparsity component of the replacement allowance and the district's training and experience allowance as shown below. The Department of Education is to calculate the training and experience index for all districts. (Districts' training and experience indices range from approximately one to two.) The Tier 1 allowance is equalized at the same level as the basic formula.

(District's Training & Experience Index - 1.25) x \$400

C. Tier 2 Allowance

The Tier 2 revenue allowance is \$150 per actual pupil unit. If a district's fund balance exceeds \$500 per total pupil units, its Tier 2 allowance is reduced by the amount of the excess. The Tier 2 allowance is equalized at the same level as the basic formula.

D. Tier 3 Allowance

The Tier 3 revenue allowance is \$100 per actual pupil unit. It is equalized at 75% of the level of the basic formula.

E. Tier 4 Allowance

The Tier 4 revenue allowance is \$100 per actual pupil unit plus a training and experience as shown below. It is equalized at 50% of the level of the basic formula.

(District's Training & Experience Index - 1.25) x \$150)

F. Tier 5 Allowance

The Tier 5 revenue allowance is equal to the amount per actual pupil that a district would have received in 1984-85 from the replacement, grandfather, discretionary and low fund balance allowances minus the amount received from Tiers 1, 2, 3 and 4 plus \$25 per total pupil unit. The Tier 5 allowance is equalized at 50% of the level of the basic formula.

In 1986-87, a district's minimum tier increase is raised from \$25 to \$50 per total pupil unit.

- G. In 1986-87, a declining enrollment allowance is established. The formula to determine the revenue allowance is as follows:

$$\frac{(1985-86 \text{ Total Pupil Units} - 1986-87 \text{ Total Pupil Units})}{30} \\ \times \text{statewide average beginning teacher's salary} \\ \times \text{district's training and experience index}$$

This revenue allowance is equalized at 75% of the level of the basic formula.

H. Minimum Aid

A school district where more than 60% of the valuation is agricultural land is guaranteed \$800 per pupil unit in state aid. State aid is defined to include foundation aid, agricultural tax credit and homestead credit and other tax relief aids. The minimum aid provision assures that eligible districts will receive 50% of the foundation aid formula allowance in state aid.

I. Share-Time Foundation Aid

If a non-public school student attends the public school for a portion of the day, the public school receives a pro-rated share of foundation aid for that student.

2. Referendum Levy - With approval from the voters in the school district, a district may increase its levy for general fund purposes.
3. Summer Programs - In Summer, 1986, funding for summer instructional programs will be an equalized formula which is the same as the basic foundation aid formula. Funding for 1 pupil unit (\$1585) is based on 1050 hours of summer student instruction time.

4. Pupil Weighting - A weighted count of pupils used to determine state aid.

One Kindergartener	= .5 pupil units
One Elementary	= 1.0 pupil units
One Secondary	= 1.4 pupil units
Pre-School Handicapped Students	= count for a proportional share of a pupil unit
Actual Pupil Units	= total of the above types of pupil units
AFDC Pupil Units	= each child from a family receiving AFDC counts as an additional .5 pupil units. If the concentration of students is above 5%, the students count for more than .5 pupil units.
Total Pupil Units	= actual pupil units plus AFDC pupil units

5. Categorical Aids - Additional resources for specific school programs. Categorical aids include:

- A. Retirement/Social Security Aid
- B. Transportation Aid
- C. Special Education
- D. Secondary Vocational Aid
- E. Limited English Proficient Aid
- F. Gifted and Talented Aid
- G. Capital Expenditure Equalization Aid
- H. Community Education Aid

6. Assessor's Estimated Market Value - The value set upon real estate or other property as a basis for levying taxes. The value is determined by each local assessor.

7. Equalized Aid Review Committee (EARC) - A 4-member committee established to normalize property values based on assessment practices and market values.

- Commissioner of Revenue
- Commissioner of Education
- Commissioner of Administration
- Commissioner of Agriculture

8. EARC Value - The property value used for assessing most school taxes. It is determined by equalizing differences in assessed valuations in the different counties. This equalization process compares assessed values to sales values.

9. Assessed Value - The property value used for actual taxing purposes. Classification ratios are applied to the assessor's estimated market value to determine assessed value. For example, on agricultural land, the first \$60,000 of market value is valued at 14%, remaining amounts are valued at 18% of market value.

10. UFARS - Uniform Financial Accounting and Reporting System - a statewide accounting procedure that must be used by school districts to record financial transactions and report financial information to the State Department of Education.

11. School Funds - A set of financial accounts to manage school operations.

A. Operating Funds

1. General Fund - General operations of the school district.
 - salaries and related expenses
 - supplies
 - custodial operations
2. Food Service Fund - school lunch program
3. Transportation Fund - pupil transportation
4. Community Service Fund - community service & recreation programs

B. Non-Operating Funds

1. Capital Outlay Fund - capital programs
 - acquisition of land
 - repair of buildings
 - equipment
 - purchase of textbooks and purchase and lease of software
2. Building Construction Fund
3. Debt Service - building project bonds
4. Trust and Agency Fund

12. Districts Off The Formula - In some school districts, the 23.5 mills x EARC value is a higher figure than pupil units x \$1585. These districts, which have high property values per pupil unit, are referred to as being off the formula. These districts do not receive any basic foundation aid but are still eligible for agricultural tax credit and homestead credit. The minimum aid provisions also apply to these districts.

13. Revenue Equity - In districts off the formula, the required mill levy raises more revenue than the formula allowance provides for. Beginning with taxes payable in 1984, those districts will be required to make the full required levy on a six-year phase-in basis. (In 1983, district could levy for only the amount of revenue of the formula allowance.) The revenue raised that exceeds the formula allowance will be used to replace state money that would have been paid to a district for categorical aids. The revenue equity applies to the basic foundation allowance and to the transportation formula.

Districts in which more than 60% of the property valuation is agricultural land are exempt from the revenue equity provisions. (i.e., Those district are required to levy an amount equal to formula allowance times pupil units and essentially receive more property tax relief than non-agricultural districts.) For taxes payable in 1986, revenue equity is repealed.

14. Property Tax Timetable - Property taxes are often referred to in various ways. Read across the following columns to find the corresponding terms referring to property taxes.

<u>EARC (Property Value For Year Of)</u>	<u>School Board Certified Levy In October Of</u>	<u>Property Taxes Payable In Calendar Year</u>	<u>School District Revenue For School Year</u>
1980	1981	1982	1982-83
1981	1982	1983--32%-- --68%--	1982-83 1983-84
1982	1983	1984--32%-- --68%--	1983-84 1984-85
1983	1984	1985--24%-- --76%--	1984-85 1985-86
1984	1985	1986--24%-- --76%--	1985-86* 1986-87

Beginning with property taxes payable in 1983, property taxes paid in a calendar year are recognized as revenue in two different school years. During the 1982-83 school year, this change in revenue recognition resulted in school districts receiving approximately 132% of their anticipated property tax revenue. State aids were reduced by the additional 32% of property taxes so that the total school district revenue (state aid and property tax) received during the 1982-83 school year did not change. This recognition of approximately 132% of a year's anticipated property tax receipts occurs only during the 1982-83 school year. In 1983-84, a district received approximately 68% of its property tax revenue from the levy certified during the previous school year and approximately 32% of its property tax revenue from the levy certified in the current school year. In 1984-85, the amount of the levy certified in the current year that is also recognized as revenue in the same school year is reduced from 32% to 24%.

* Action by the 1985 Legislature provides for reduction of the 24% payable 1986 taxes shifted into the 1985-86 school year revenue to be reduced below 24% if the state's anticipated 6-30-87 budget surplus is adequate for the state to make up the difference. This change would remain in effect in subsequent years.



BASIC FOUNDATION REVENUE

Average Valuation in District

Gopherville School District

Number Pupil Units	=	1000
Foundation Aid Formula Allowance	=	\$1585 per pupil unit
EARC Value	=	\$35,000,000
Local Effort for 1985-86 Revenue	=	23.5 EARC mills (.0235)

Formula

Formula Allowance - Local Effort = State Aid (\$)

Formula	#Pupil				
Allowance x	Units	-	(mill rate) x	EARC Value	= State Aid
\$1585	x 1000	-	.0235	x \$35,000,000	= State Aid
\$1,585,000		-	\$822,500		= <u>\$762,500</u>

AVERAGE VALUATION DISTRICT	State Aid Per Pupil Unit	=	\$762.50
	Local Revenue Per Pupil Unit	=	\$822.50
	Percent State Aid	=	48.1%
	Percent Local Revenue	=	51.9%



BASIC FOUNDATION REVENUE

Low Valuation in District

Gopherville School District

Number of Pupil Units	=	1000
Foundation Aid Formula Allowance	=	\$1585 per pupil unit
EARC Value	=	\$17,500,000
Local Effort for 1985-86 Revenue	=	23.5 EARC mills (.0235)

Formula

$$\text{Formula Allowance} - \text{Local Effort} = \text{State Aid (\$)}$$

Formula Allowance	x	# Pupil Units	-	(mill rate)	x	EARC Value	=	State Aid
\$1585	x	1000	-	.0235	x	\$17,500,000	=	State Aid
\$1,585,000			-			\$411,250	=	<u>\$1,173,750</u>

LOW VALUATION DISTRICT	State Aid Per Pupil Unit	=	\$1,173.75
	Local Revenue Per pupil Unit	=	\$411.25
	Percent State Aid	=	74.0%
	Percent Local Revenue	=	26.0%



BASIC FOUNDATION REVENUE

High Valuation in District

Gopherville School District

Number of Pupil Units	=	1000
Foundation Aid Formula Allowance	=	\$1585 per pupil unit
EARC Value	=	\$61,000,000
Local Effort for 1985-86 Revenue	=	23.5 EARC mills (.0235)

Formula

Formula Allowance - Local Effort = State Aid (\$)

Formula Allowance	x	# Pupil Units	-	(mill rate)	x	EARC Value	=	State Aid
\$1585	x	1000	-	.0235	x	\$61,000,000	=	State Aid
\$1,585,000			-			\$1,433,500	=	<u>\$151,500</u>

HIGH VALUATION DISTRICT	State Aid Per Pupil Unit	=	\$151.50
	Local Revenue Per Pupil Unit	=	\$1,433.50
	Percent State Aid	=	9.6%
	Percent Local Revenue	=	90.4%



Comparison
of
State Aid and Local Revenue Contribution
BASIC FOUNDATION REVENUE
Gopherville School District

Number Pupil Units = 1000
Foundation Aid Formula Allowance = \$1585 per pupil unit

	Valuation		
	Low	Average	High
EARC Value	\$17,500,000	\$35,000,000	\$61,000,000
Local Property Tax Effort	23.5 mills	23.5 mills	23.5 mills
Local Revenue Contributions	\$411,250	\$822,500	\$1,433,500
State Aid Contributions	\$1,173,750	\$762,500	\$151,500
Percent State Aid	74.0%	48.1%	9.6%
Percent Local Revenue	26.0%	51.9%	90.4%
 TOTAL REVENUE AVAILABLE	 \$1,585,000	 \$1,585,000	 \$1,585,000

Tier 1 Allowance

Tier 1 is also called the Cost Differential Tier in that it recognizes two factors where costs differ between districts. A district's Tier 1 Allowance is equal to its Sparsity Allowance times two (see page 25) plus its Training and Experience Index (see page 26) minus 1.25 times \$400. The Tier 1 Allowance is equalized at the same level as the basic formula.

Example Gopherville School District

Pupil Units	1000
EARC Value Per Total Pupil Unit	\$35,000
Sparsity Allowance Total Per Pupil Unit	\$30 (see page 25)
Training and Experience Index	1.57 (see page 26)
Equalizing Factor	\$67,447 (see page 22)

Determination of Tier 1 Allowance

$$\begin{aligned}\text{Tier 1 Allowance} &= \text{Pupil Units} \times [(\text{Sparsity Allowance} \times 2) + (\text{T \& E Index} - 1.25) \times 400] \\ &= 1000 \times [(\$30 \times 2) + (1.57 - 1.25) \times 400] \\ &= 1000 \times [\$60 + (.32 \times 400)] \\ &= 1000 \times [\$60 + 128] \\ &= 1000 \times \$188 \\ &= \$188,000\end{aligned}$$

Levy Calculation

$$\begin{aligned}\text{Levy} &= \text{District Tier 1 Allowance} \times \frac{\text{District EARC Per Total Pupil Unit}}{\text{Equalizing Factor}} \\ &= \$188,000 \times \frac{35,000}{67,447} \\ &= \$188,000 \times .519 \\ &= \$97,561\end{aligned}$$

Aid Calculation

$$\begin{aligned}\text{Aid} &= \text{District Tier 1 Allowance} - \text{Tier 1 Levy} \\ &= \$188,000 - \$97,561 \\ &= \$90,439\end{aligned}$$

Tier 2 Allowance

The Tier 2 Allowance is \$150 per pupil unit. If a district's fund balance exceeds \$500 per total pupil unit, the district's Tier 2 Allowance is reduced by the amount of the excess. The Tier 2 Allowance is equalized at the same level as the basic formula and Tier 1.

Example Gopherville School District

Pupil Units	1000
EARC Value Per Total Pupil Unit	\$35,000
Fund Balance Per Total Pupil Unit	\$300
Equalizing Factor	\$67,447 (see page 22)

Determination of Tier 2 Allowance

$$\begin{aligned}\text{Tier 2 Allowance} &= \$150 \times \text{pupil units} \\ &= \$150 \times 1000 \\ &= \$150,000\end{aligned}$$

Levy Calculation

$$\begin{aligned}\text{Levy} &= \text{District Tier 2 Allowance} \times \frac{\text{District EARC Per Total Pupil Unit}}{\text{Equalizing Factor}} \\ &= \$150,000 \times \frac{35,000}{\$67,447} \\ &= \$150,000 \times .519 \\ &= \$77,850\end{aligned}$$

Aid Calculation

$$\begin{aligned}\text{Aid} &= \text{District Tier 2 Allowance} - \text{Tier 2 Levy} \\ &= \$150,000 - \$77,850 \\ &= \$72,150\end{aligned}$$

If Gopherville's fund balance was above \$500 per total pupil unit, its \$150 allowance would have been reduced accordingly.

Tier 3 Allowance

The Tier 3 Allowance is \$100 per pupil unit. It is equalized at 75% of the level of the basic formula. Districts may be eligible for only a portion of Tier 3 revenue because the difference between the revenue available in Tiers 1-4 and the old formula components is phased in over a four-year period. In 1985-86, those districts being phased in receive the same amount they would have received from the old formula components in 1984-85 plus 50% of the difference.

Example Gopherville School District

Pupil Units	\$1000
EARC Value Per Total Pupil Unit	\$35,000
Equalizing Factor	\$67,447 (see page 22)

Determination of Tier 3 Allowance

$$\begin{aligned}\text{Tier 3 Allowance} &= \$100 \times \text{Pupil Units} \\ &= \$100 \times 1000 \\ &= \$100,000\end{aligned}$$

Levy Calculation

$$\begin{aligned}\text{Levy} &= \text{District 3 Allowance} \times \frac{\text{District EARC Per Total Pupil Unit}}{75\% \times \text{Equalizing Factor}} \\ &= \$100,000 \times \frac{35,000}{.75 \times 67,447} \\ &= \$100,000 \times \frac{35,000}{50,583} \\ &= \$100,000 \times .692 \\ &= \$69,193\end{aligned}$$

Aid Calculation

$$\begin{aligned}\text{Aid} &= \text{District Tier 3 Allowance} - \text{Tier 3 Levy} \\ &= \$100,000 - \$69,193 \\ &= \$30,807\end{aligned}$$

Tier 4 Allowance

The Tier 4 Allowance is \$100 per pupil unit, plus the district's Training and Experience Index (see page 26) minus 1.25 times \$150. It is equalized at 50% of the level of the basic formula. Districts may be eligible for a portion or none of Tier 4 revenue because the difference between the revenue available in Tiers 1-4 and the old formula components is phased in over a four-year period. In 1985-86, those districts being phased in receive the same amount they would have received under the old formula components in 1984-85 plus 50% of the difference.

Example Gopherville School District

Pupil units	1000
EARC Value Per Total Pupil Unit	\$35,000
Training and Experience Index	1.57
Equalizing Factor	\$67,447 (see page 22)

Determination of Tier 4 Allowance

$$\begin{aligned}\text{Tier 4 Allowance} &= \text{Pupil Units} \times \$100 + [(\text{T \& E Index} - 1.25) \times 150] \\ &= 1000 \times \$100 + [(1.57 - 1.25) \times 150] \\ &= 1000 \times \$100 + (.32 \times 150) \\ &= 1000 \times \$100 + 48 \\ &= 1000 \times \$148 \\ &= \$148,000\end{aligned}$$

Levy Calculation

$$\begin{aligned}\text{Levy} &= \frac{\text{District Tier 4 Allowance} \times \text{District EARC Per Total Pupil Unit}}{50\% \times \text{Equalizing Factor}} \\ &= \$148,000 \times \frac{35,000}{.50 \times 67,447} \\ &= \$148,000 \times \frac{35,000}{33,723} \\ &= \$148,000 \times 1 * \\ &= \$148,000\end{aligned}$$

Aid Calculation

$$\begin{aligned}\text{Aid} &= \text{District Tier 4 Allowance} - \text{Tier 4 Levy} \\ &= \$148,000 - \$148,000 \\ &= 0\end{aligned}$$

* When this percentage is greater than 1, 1 is used so that the levy does not exceed the allowance.

Tier 5 Allowance

The Tier 5 Allowance is equal to the amount per pupil unit that a district would have received in 1984-85 from the replacement, grandfather, discretionary and low fund balance allowances minus the amount received from Tiers 1, 2, 3 and 4 plus \$25 per pupil unit. If in Tiers 1, 2, 3 and 4, a district receives more than what it would have received from the replacement, grandfather, discretionary and low fund balance allowances plus \$25 per pupil unit, it will have no Tier 5 Allowance. (For a comparison of old and new formulas, see page 19.) The Tier 5 Allowance is equalized at 50% of the level of the basic formula.

Example Gopherville School District

Pupil Units	1000
Revenue Per Pupil Unit - Tiers 1-4	\$485
Revenue Per Pupil Unit - Old Formula	\$525
EARC Value Per Total Pupil Unit	\$35,000
Equalizing Factor	\$67,447 (see page 22)

Determination of Tier 5 Allowance

$$\begin{aligned}\text{Tier 5 Allowance} &= \left[\left(\begin{array}{cc} \text{Revenue Per Pupil} & - & \text{Revenue Per Pupil} \\ \text{Unit - Old Formula} & & \text{Unit - Tiers} \end{array} \right) + \$25 \right] \times \text{Pupil Units} \\ &= [(\$525 - \$485) + \$25] \times 1000 \\ &= (\$40 + \$25) \times 1000 \\ &= \$65 \times 1000 \\ &= \$65,000\end{aligned}$$

Levy Calculation

$$\begin{aligned}\text{Tier 5 Levy} &= \text{Tier 5 Allowance} \times \frac{(\text{District EARC Per Pupil Unit})}{(50\% \times \text{Equalizing Factor})} \\ &= \$65,000 \times \frac{35,000}{.50 \times 67,447} \\ &= \$65,000 \times \frac{35,000}{33,723} \\ &= \$65,000 \times 1^* \\ &= \$65,000\end{aligned}$$

Aid Calculation

$$\begin{aligned}\text{Tier 5 Aid} &= \text{Tier 5 Allowance} - \text{Tier 5 Levy} \\ &= \$65,000 - \$65,000 \\ &= \$0\end{aligned}$$

* When this percentage is greater than 1, 1 is used so that the levy does not exceed the allowance.

Referendum Levy

A school district may increase its levy by a referendum approved by the voters of the district. The ballot question must state the amount of the proposed levy in mills and the dollars raised by that millage the first year it is to be in effect. The additional levy authority is permanent unless the ballot question limits it to a certain number of years. If the referendum on additional levy authority is approved by the voters, the school board may levy that total amount or any portion of that amount. This levy authority can be revoked by referendum.

(This example assumes voter approval of a 5 mill referendum and the school board levies the full authorization.)

Gopherville School District

Number of Pupil Units	1000
*Taxable Value	\$25,000,000
EARC Value	\$35,000,000
Referendum Levy Authorization	5 mills

Calculation

Taxable Value	x	mill rate	=	Additional Revenue
\$25,000,000	x	.005	=	Additional Revenue
		\$125,000	=	Additional Revenue

* For a referendum levy, the taxable value rather than EARC value is used.

COMPARISON - 1984-85 Foundation Formula - New Tier Formula and Old Law

Tier Formula		Old Law	
<u>Tier V</u>	Amount Old Formula Funding Exceeds Tiers I-IV+ \$25 x Total P.U. Guarantee: 1 mill = \$30.73		
<u>Tier IV</u>	\$100 x WADM Guarantee: 1 mill = \$30.73	Districts' 70-71 above average expenditure amount Guarantee: Approximately 1 mill = \$30	GRANDFATHER
<u>Tier III</u>	\$100 x WADM Guarantee: 1 mill = \$46.09	\$60 x WADM Fund balance below \$316 Guarantee: 1 mill = \$46.09	LOW FUND BALANCE
<u>Tier II</u>	\$150 x WADM Access limited if fund balances over \$500 Guarantee: 1 mill = \$61.45	\$153.65 x Total P.U. Access limited if fund balance over \$500 Guarantee: 1 mill = \$61.45	DISCRETIONARY
<u>Tier I</u>	[(T & E Index - 1.25) x 300 + sparsity factor] x WADM Guarantee: 1 mill = \$61.45	Districts' 1980-81 sparsity decline, or growth amount x inflation factor x total p.u. Guarantee: 1 mill = \$61.45	REPLACEMENT
<u>Basic</u>	\$1475 x Total P.U. Guarantee: 1 mill = \$61.45	\$1475 x Total P.U. Guarantee 1 mill = \$61.45	BASIC

Notes:

1. WADM = Weighted average daily membership or regular pupil units.
2. Total P.U. = WADM + AFDC pupil units.
3. T & E Index = A Training and Experience Index has been established for each school district.
4. Guarantee is the revenue per total pupil unit that one mill is guaranteed to raise. That is, the district makes a one mill levy and state aid pays the remainder to make up the guarantee. A guarantee of \$61.45 = $\frac{1475(\text{formula allowance})}{24(\text{mill rate})}$
 Multiplying the guarantee by 1 mill (.001), indicates the property valuation per pupil unit level at which a district goes "off that particular formula." (i.e. - in Tier IV, if a district's property valuation per pupil unit is above \$30,729, it will be "off the Tier IV formula.")
5. Actual revenue for 1984-85 is based on a 4-year phase-in of the difference between old formula and new tier formula. However, every district is guaranteed a \$25 increase per total p.u. in 1984-85 over old law.

Revenue Per
Pupil Unit

1985-86 Foundation Program

Varies

Varies

Varies -
\$100 +
T and E

\$100

\$150

Varies -
T and E
+ Sparsity

\$1,585
+
AFDC

Referendum Levy

Tier 5 Aid

Tier 5 Levy

Tier 4 Aid

Tier 4 Levy

Tier 3 Aid

Tier 3 Levy

Tier 2 Aid

Tier 2 Levy

Tier 1 Aid

Tier 1 Levy

Basic Foundation Aid

Basic Maintenance Levy

\$0 |
EARC Valuation
Per Pupil Unit

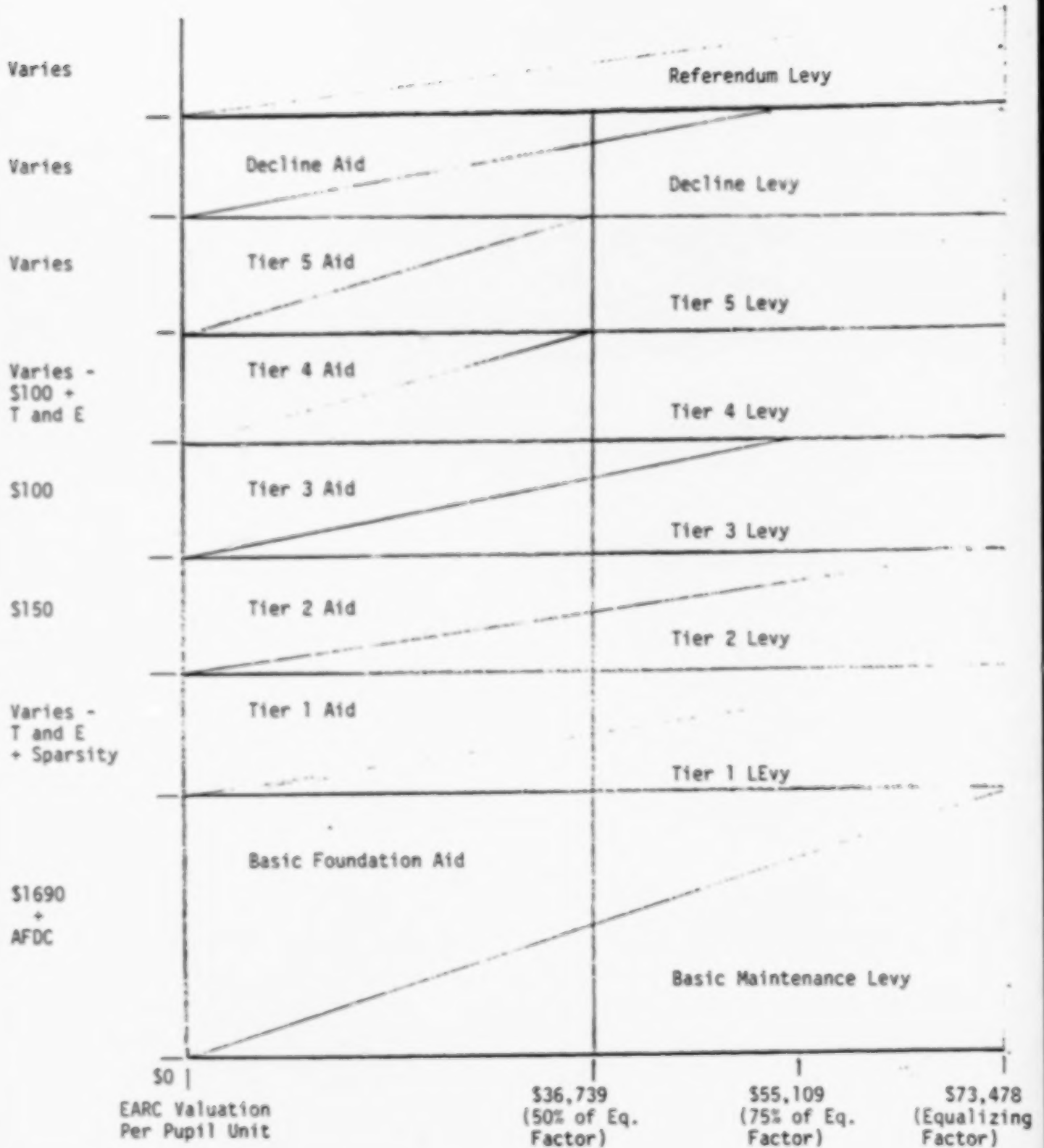
\$33,723
(50% of Eq.
factor)

\$50,595
(75% of Eq.
Factor)

\$67,447
(Equalizing
Factor)

Revenue Per
Pupil Unit

1986-87 Foundation Program



Determination of the Equalizing Factor

Basic Foundation Formula Allowance Per Total Pupil Unit	=	\$1585
Basic Maintenance Mill Rate	=	.0235
1 Mill	=	.001

$$\begin{aligned}\text{Equalizing Factor} &= \frac{\text{Basic Foundation Formula Allowance}}{\text{Basic Maintenance Mill Rate}} \\ &= \frac{\$1585}{.0235} \\ &= \$67,447\end{aligned}$$

The state equalizes the basic foundation formula at this level. For every 1 mill levied, the state guarantees the district will receive \$67.45 per total pupil unit ($\$67,447 \times .001 = \$67.45$). When a school district's EARC property value per total pupil unit exceeds \$67,447, the district will be off the formula. If a school district's property value is \$35,000 per total pupil unit (51.9% of \$67,447), it would receive 51.9% of its basic foundation revenue from the maintenance levy and 48.1% from state foundation aid.

Formulas that are equalized at 100% of the equalizing factor are guaranteed to raise \$67.45 per total pupil unit for each 1 mill levied. For example:

	<u>Basic Formula</u>	<u>Equalizing Factor</u>	<u>Tier 1 Allowance</u>	<u>Tier 2 Allowance</u>
Guarantee Mill Rate	$\frac{1585}{23.5}$	$\frac{67.45}{1}$	$\frac{125}{1.85}$	$\frac{150}{2.22}$

A formula that is equalized at 75% of the equalizing factor or 75% of the level of the basic formula is guaranteed to raise \$50.58 per total pupil unit for each 1 mill levied ($.75 \times \$67.45$). A formula that is equalized at 50% of the equalizing factor or 50% of the level of the basic formula is guaranteed to raise \$33.72 per total pupil unit for each 1 mill levied ($.50 \times \$67.45$).

AFDC Aid

In the 1981-82 through the 1985-86 school years, a district may count 98.5% of its 1980-81 AFDC pupil units in the foundation aid formula. (See page 25 for explanation of 1980-81 AFDC pupil units.)

Gopherville School District

Number pupil units	=	1000
Number AFDC units 1980-81	=	90
1985-86 AFDC units = 90 x .985	=	88.65
EARC value	=	\$35,000,000
Local effort for 1985-86 revenue	=	23.5 EARC mills (.0235)
Foundation aid formula allowance	=	\$1585

Formula

Formula Allowance x # Pupil Units - Mill Rate x EARC Value	=	State Aid
\$1585 x 1088.65 - .0235 x \$35,000,000	=	State Aid
\$1,725,510 - \$822,500	=	\$903,010

Total revenue available per actual pupil unit (with AFDC)

$$\$1,725,510 \div 1000 = \$1725.51$$

Total revenue available per actual pupil unit (without AFDC)

$$\$1,585,000 \div 1000 = \$1585.00$$

Extra revenue per pupil unit = \$140.51

In 1986-87, districts will again use current AFDC student counts rather than using 98.5% of the 1980-81 AFDC student counts.

Calculation of 1980-81 AFDC Pupil Units

Through the 1980-81 school year, school districts received additional pupil units for the number of students in the district in that year from families receiving Aid to Families with Dependent Children (AFDC). This additional aid is intended to meet the problems of educational overburden caused by broken homes, poverty and low income. These are two types of AFDC pupil unit weighting - regular and concentration. The regular weighting provides an additional .5 pupil unit for each student from a family receiving AFDC. If a district's percent of students from families receiving AFDC is above 5%, the district receives an additional .1 pupil unit per student from a family receiving AFDC for each percent of concentration above 5% up to a maximum of .6 additional pupil units. Thus each student from a family receiving AFDC could generate up to 1.1 AFDC pupil units (.5 regular + .6 concentration). These pupil units are in addition to the regular weighting (1 for elementary, 1.4 for secondary) generated by this student.

AFDC Pupil Weighting Schedule

<u>% of Students In District From AFDC Families</u>	<u>Regular AFDC Units</u>	<u>Concentration AFDC Units</u>	<u>Total AFDC Units</u>
Up to 6%	= .5	+ 0	= .5
6% to 7%	= .5	+ .1	= .6
7% to 8%	= .5	+ .2	= .7
8% to 9%	= .5	+ .3	= .8
9% to 10%	= .5	+ .4	= .9
10% to 11%	= .5	+ .5	= 1.0
11% and above	= .5	+ .6	= 1.1

Example

Gopherville School District

Number of regular pupil units	=	1000
Number of students from AFDC families	=	90 (9% AFDC)
Regular AFDC units	=	90 x .5 = 45
Concentration AFDC units	=	90 x .4 = 36
Total Additional Units	=	81

1980-81 Calculation - Sparsity Aid

Gopherville School District

Pupil Units	=	550
High School Average Daily Membership(ADM)	=	300
Foundation Aid Formula Allowance	=	\$1265 per pupil unit
High School Attendance Area	=	200 sq. miles
Distance from High school to Nearest High School	=	40 miles
Isolation Index	=	50

School districts with a sparsely populated high school attendance area may be eligible for sparsity aid. This aid is intended for the additional program needs of these districts. To be eligible a high school must have a secondary ADM of less than 500 and an isolation index (ii) greater than 18.

Formula

$$\begin{array}{ccccccc} \text{Foundation Aid} & \times & \text{Secondary Average} & \times & \frac{(500 - \text{Sec. ADM})}{(500 + \text{Sec. ADM})} & \times & \frac{(ii - 18)}{(ii)} \\ \text{Formula Allowance} & & \text{Daily Membership} & & & & \end{array}$$

ii = the sum of the distance between a district's high school and the nearest other high school plus the square root of one-half of the area of the district's high school attendance area.

$$\begin{array}{ccccccc} \$1265 & \times & 300 & \times & \frac{(500 - 300)}{(500 + 300)} & \times & \frac{(50 - 18)}{(50)} \end{array}$$

$$\begin{array}{ccccccc} \$1265 & \times & 300 & \times & \frac{(200)}{(800)} & \times & \frac{(32)}{(50)} \end{array}$$

$$\begin{array}{ccccccc} \$1265 & \times & 300 & \times & .25 & \times & .64 \end{array}$$

$$\text{Sparsity Aid} = \$60,720$$

Beginning with the 1980-81 school year, the amount of sparsity aid became part of the replacement aid and levy formula. In 1984-85, the sparsity aid was incorporated into Tier I. In 1985-86, these sparsity amounts were doubled.

Determination of Training and Experience Index

Training and experience indices for school districts are calculated by the Department of Education. This calculation is based on the training and experience level of each staff person in the district as reported by the district to the department. The indices, which could range from 1.0 to 2.4193, are based on the number of staff at each training level (BA, BA+15, MA, etc.) and years of experience (1-20). If all of a school district's staff were in their first year of teaching with only a bachelor's degree (B.A. or B.S.), the district would have an index of 1.0. If all of a school district's staff had been teaching 20 or more years and had a M.A. plus 60 credits, the district would have an index of 2.1403. In 1985-86, actual district indices range from 1.168 to 1.868. The statewide weighted average index is 1.57.

A matrix of possible Training and Experience Indices is shown below. It does not include all training and experience levels. A district's training and experience index will be the average of the training and experience levels of all its staff.

<u>Training Level:</u>		B.A.	B.A.+30	M.A.	M.A.+30	M.A.+60
<u>Years of Experience:</u>	(1)	1.0000	1.0610	1.1457	1.2468	1.3479
	(5)	1.0880	1.1821	1.2839	1.3993	1.5147
	(10)	1.1980	1.3335	1.4566	1.5899	1.7232
	(15)	1.3079	1.4849	1.6293	1.7805	1.9318
	(20)	1.4179	1.6363	1.8020	1.9712	2.1403



Minimum Aid

Districts where agricultural land comprises 60% or more of the assessed valuation of the district are guaranteed \$800 per pupil unit in state aid. The \$800 of minimum aid includes any foundation aid the district may receive plus any tax relief aids such as homestead credit, agricultural credit, wetlands credit, etc., received by the district.

Gopherville School District

Number of Pupil Units	1000
Foundation Aid	\$73,000
Homestead Credit	\$240,000
Agricultural Tax Credit	\$300,000
Other Tax Credits	\$5,000

$$\begin{aligned}
 \text{Minimum Aid} &= (\text{Pupil Units} \times \text{Guarantee}) - (\text{Foundation Aid} + \text{Property Tax Relief Aid}) \\
 &= 1000 \times \$800 - (\$73,000 + \$240,000 + \$300,000 + \$5,000) \\
 &= \$800,000 - \$618,000 \\
 &= \$182,000
 \end{aligned}$$

The school district's local effort is then reduced by the amount of minimum aid the district receives. This means the district will not receive additional funding but the percentage of that funding from the state will increase.

Summer Programs

For summer 1986, revenue to operate summer programs will come from an equalized aid and levy formula.

Gopherville School District

Number of summer student instructional hours	-	30,000
Foundation Formula Allowance - 1985-86	-	\$1585
Local effort for 1985-86 revenue	-	23.5 mills (.0235)
EARC value	-	\$35,000,000

$$\text{Summer pupil units} = \frac{\text{Summer student instructional hours}}{\text{1050 (hours in regular school year)}} = \frac{30,000}{1050} = 28.57$$

$$\begin{aligned}\text{Summer program revenue allowance} &= \text{summer pupil units} \times \text{85-86 formula allowance} \\ &= 28.57 \times \$1585 \\ &= \$45,283\end{aligned}$$

Levy Formula

$$\begin{aligned}\text{Summer program levy} &= \text{Summer revenue allowance} \times \left(\frac{\text{District EARC value}}{\text{1985-86 p.u.}} \div \frac{\text{Formula allowance}}{\text{Mill rate}} \right) \\ &= \$45,283 \times \left(\frac{\$35,000,000}{1,000} \div \frac{1585}{.0235} \right) \\ &= \$45,283 \times (35,000 \div 67,447) \\ &= \$45,283 \times .5189 \\ &= \$23,498 *\end{aligned}$$

Aid Formula

$$\begin{aligned}\text{Summer program aid} &= \text{Summer revenue allowance} - \text{Summer program levy} \\ &= \$45,283 - \$23,498 \\ &= \$21,785\end{aligned}$$

* The mill rate of the summer program levy would be determined by dividing the levy amount by the EARC value. The mill rate for Gopherville is:

$$\frac{\$23,498}{\$35,000,000} = .00067 \text{ or } .67 \text{ mills}$$

The district's adjusted predicted cost per student transported for the base year (1983-84) is then increased by 8.9% and multiplied by the number of full-time equivalent students transported in 1985-86.

A district's transportation aid is its adjusted predicted cost minus the proceeds of a 1.75 mill levy. In addition, a district may levy for the cost of transporting students who are ineligible for transportation aid if it would be hazardous for the students to walk. Districts may also levy for the costs of transporting secondary students who live between one and two miles from school.

Costs for non-regular transportation categories, which include transportation between schools, transportation to cooperative programs, and transportation for handicapped students, are reimbursed through a separate aid and levy formula.

Example

Gopherville School District

Number of students - 1985-86	1000
Number of students transported - 1985-86	800
EARC Value	\$35,000,000
Adjusted predicted cost per student transported	\$250

Transportation Entitlement = Number of students transported in 1985-86
x adjusted predicted cost per student transported

$$= 800 \times \$250$$

$$= \$200,000$$

Transportation Levy = 1.75 mills x EARC value

$$= .00175 \times \$35,000,000$$

$$= \$61,250$$

Transportation Aid = Transportation entitlement - Transportation Levy

$$= \$200,000 - \$61,250$$

$$= \$138,750$$

(In 1986-87, the transportation levy is increased from 1.75 mills to 2.25 mills.)

Special Education

Districts receive funding to recognize the additional costs of providing required services to handicapped students.

The state pays:

- 1) 70% of the salaries of teachers and essential personnel up to \$19,500 per teacher for special education programs and secondary vocational programs for handicapped students; plus
- 2) 50% of supplies and materials (up to \$50 per student); plus
- 3) 55% of the difference between the foundation formula allowance and the cost to a home district for special education services provided by contract; plus
- 4) 60% of the difference between the foundation formula allowance and the cost to the home district for special education services provided in a residential facility.

A district may levy for the difference between the amount of aid received under part 1 above and 70% of salaries if its salaries are limited by the salary cap.

Example

Gopherville School District

Number of pupil units	=	1000	
Number of students receiving special education instruction	=	110	
Number special education staff	=	5	
1. 5 staff @ \$22,000 each (total cost is \$110,000)			
\$22,000 x .70 x 5			= \$77,000
(Aid is \$15,400 for each teacher. Since Gopherville receives the full 70% per teacher in aid, it would have no special education levy.)			
2. Equipment and material cost	=	\$2,150	
\$2,150 x .50			= \$ 1,075
(Maximum would be 110 x \$50 = \$5,500)			
3. Contracts for special education services with another district:			
1 @ \$6000		1 @ \$32,000	
(\$6000 - \$1585) = \$4,415 x .55	=	\$2,428.25	
(\$3200 - \$1585) = \$1,615 x .55	=	888.25	
	Aid =		<u>\$ 3,316.50</u>
Total Special Education Aid = \$81,391.50			

Transportation Aid



Transportation aid is authorized for the cost of transporting:

1. Elementary students living more than one mile from school and secondary students living more than two miles from school;
2. Secondary vocational students to vocational centers;
3. Handicapped students;
4. Board and lodging for non-resident handicapped students;
5. Shared-time students;
6. Non-public school students;
7. Students in summer programs;
8. Students to jointly offered (between districts) classes;
9. Students between school buildings within the district.

The transportation aid formula uses the following terms in a multiple regression formula to predict a base-year transportation cost for each district:

1. Logarithm of the lesser of (a) students transported per square mile or (b) 200;
2. Whether the district is non-rural
3. Logarithm of the percent of students transported in buses not owned by the district.

The formula determines a predicted cost per student transported for each district for the base year (1983-84). This predicted cost is compared to the district's actual cost for the base year. If the district's predicted cost exceeds the actual cost, the predicted cost is adjusted as follows:

1. If the actual cost is within 5% of the predicted cost, the adjusted predicted cost shall equal actual cost.
2. If the actual cost exceeds the predicted cost by more than 5%, the adjusted predicted cost shall equal 105% of the predicted cost plus 40% of the difference between 105% of the predicted costs and actual cost.
3. In no case shall a district's adjusted predicted cost be less than 80% of the actual cost.

If the district's predicted cost is less than the actual cost, the predicted cost is adjusted as follows:

1. If the actual cost is within 5% of the predicted cost, the adjusted predicted cost shall equal actual cost.
2. If the actual cost is more than 5% less than the predicted cost, the adjusted cost shall equal 95% of the predicted cost minus 40% of the difference between 95% of predicted cost and actual cost.
3. In no case shall a district's adjusted predicted cost be more than 120% of actual cost.

Limited English Proficient Aid

School districts with Limited English Proficient (LEP) Students can receive aid to recognize the additional cost of educating these students. A LEP student is defined as one whose primary language is not English and whose score is significantly below the average score for students of the same age on an English reading or language arts test.

A district receives aid which is equal to up to 65 percent of the salary of a full-time teacher up to \$18,100 per teacher for each 45 LEP students or a proportionate amount for less than 45 LEP students. However, a district with less than 22 LEP students is guaranteed 65 percent of one half-time teacher's salary. A district may levy for the difference between the amount of aid received and 65% of salaries if its salaries are limited by the salary cap.

Example

Gopherville School District

Number of LEP Students	=	65
LEP Teachers	=	1 @ \$22,000 1 @ \$16,000
For the first 45 LEP Students, the district receives 65% of \$22,000	=	\$14,300
For the remaining 20 LEP Students, the district receives 2045 x 65% x \$16,000	=	\$4,622
TOTAL LEP AID	=	\$18,922

Since Gopherville receives the full 65% per teacher in aid, it would have no levy for limited English proficient program.

Gifted and Talented Aid

A district which establishes a program for gifted and talented students is eligible for state aid. No more than 5% of the students in the district may be counted as gifted and talented for the purposes of determining aid. For 1985-86, the aid is \$40 per gifted and talented student. Each district is guaranteed at least \$500.

Example

Gopherville School District

Number of students	1000
Maximum number - gifted and talented students for aid purposes	50
Maximum aid = 50 students x \$40	
= \$2,000	



Secondary Vocational Education Aid

The State pays:

- 1) 41.5% of the salary of essential licensed personnel; plus
- 2) 41.5% of necessary teacher travel between instructional sites and to vocational student organization meetings within the state.

Example

Gopherville School District

Number Pupil Units	= 1000
Number Certified Vocational Teachers	= 5

1) Salary Essential Personnel

5 teachers @ \$20,000 each	= \$100,000	
\$100,000 x .415		= \$41,500 State Aid

2) Travel

\$3,000 x .415		= \$1,245 State Aid
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TOTAL AID	= \$42,745 State Aid
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(Aid is no longer paid for the cost of secondary vocational equipment; however a levy is authorized as part of the capital expenditure levy - see page 34.)

Interdistrict Cooperation Aid and Levy

School districts which enter into cooperative agreements and have cooperation plans approved by the Commissioner of Education are eligible for interdistrict cooperation revenue to pay for all or a portion of the costs of the cooperation. Districts which are members of intermediate school districts and Minneapolis, Anoka, St. Paul and Duluth school districts are not eligible for this revenue.

A district's interdistrict cooperation revenue equals the lesser of:

1. \$50 times the number of pupil units in the district
2. \$50,000
3. The actual cost to the district of the cooperation program

A district may levy the amount of its interdistrict cooperation revenue allowance up to an amount raised by one mill. If the one mill levy does not raise the total amount of the interdistrict cooperation revenue allowance, the state makes up the difference.

Example

Gopherville School District

Number of pupil units	800
District EARC value	\$35,000,000
Estimated cost of cooperation plan	\$60,000

Interdistrict Cooperation Revenue = the lesser of (1) $50 \times$ pupil units (50×800)
(2) \$50,000
(3) actual cost of cooperation

= the lesser of (1) \$40,000
(2) \$50,000
(3) \$60,000

Interdistrict Cooperation Levy = the lesser of a.) Interdistrict Cooperation Revenue Allowance
b.) 1 mill $\times$ EARC value
(.001 $\times$ \$35,000,000)

= the lesser of a.) \$40,000
b.) \$35,000
= \$35,000

Interdistrict Cooperation Aid = Interdistrict Cooperation Revenue -
Interdistrict Cooperation Levy

= \$40,000 - \$35,000

= \$5,000

Community Education

Community Education program are designed to provide the school district residents with the opportunity to utilize educational facilities and programs during non-school hours. Community education programs may also be offered to K-12 students during the summer. In addition to community education funding, districts are eligible for funding for early childhood family education programs.

Community Education Funding - 1985-86

- A. Community Education Revenue shall equal the greater of:
- 1) \$5 times the school district population
 - 2) \$7,000 per district
- B. Community Education Funding Formula Equals:
- 1) The greater of (a) \$5.25 times the school district population) minus .8 EARC mil
(b) \$7,000 per district
- C. District may charge fees for each course

Example Gopherville School District

Number of district residents	=	7,000
EARC property value	=	\$35,000,000

- A. Community Education Revenue equals the greater of:
- | | | |
|---|---|--------------|
| 1) \$5.25 times the district population | = | \$36,750 |
| 2) \$7,000 | = | <u>7,000</u> |

- B. Community Education Aid equals
- 1) The greater of (a) $\frac{\$36,750}{\$7,000}$ - .8 mill x EARC value
(b) $\frac{\$7,000}{\$7,000}$

$\$36,750 - .8 \times 35,000,000$

$\$36,750 - \$28,000$

Aid = \$8,750

Gopherville School District would receive:

Levy	\$28,000
Regular Aid	<u>8,750</u>
Total	\$36,750

Early Childhood Family Education

A district that operates a community education program may offer early childhood family education as part of that community education program. Early childhood family education programs offer educational services to children between birth and kindergarten and to their parents.

Early Childhood Family Education Program Funding - 1985-86

Early Childhood Family Education revenue equals:

1985-86 Foundation Formula Allowance x 5% x the greater of: a) 150
b) number of children under age 5 in the district

Example Gopherville School District

Foundation Formula Allowance - 1985-86	=	\$1585
Number of Children under Age 5	=	376
EARC Property Value	=	\$35,000,000

ECFE Revenue	=	\$1585 x .05 x 376
	=	\$79.25 x 376
	=	\$29,798

ECFE Aid	=	ECFE revenue - .4 mill x EARC value
	=	\$29,798 - .0004 x \$35,000,000
	=	\$29,798 - 14,000
	=	\$15,798

Capital Expenditure Levy and Aid

For 1985-86 districts are allowed to levy up to \$90 per pupil unit (\$95 in growth districts) not to exceed seven EARC mills for capital expenditure purposes. The amount that \$90 (or \$95) times pupil units exceeds seven EARC mills is paid by the state as capital expenditure equalization aid. Districts may levy an additional \$5 per pupil unit for equipment for secondary vocational or industrial arts programs.

Example in Average Valuation School District

Gopherville School District

Number of pupil units	1000
EARC value	\$35,000,000

Formula

Formula Authorization	=	\$90 + \$5	x	Pupil Units
	=	\$95	x	1000
	=	\$95,000		

Limit

Limit	=	.007 (7 EARC mills)	x	\$35,000,000
	=	\$245,000		

Gopherville School District could make the levy of \$95,000 since the seven EARC mill limit is \$245,000. The \$95,000 does not exceed the \$245,000.

In addition to the \$90 + \$5 per pupil unit authorization, a district may make a special purpose capital expenditure levy of an additional \$25 per pupil unit not exceed 2 mills. The proceeds of this levy must be used for energy conservation measures, including paying off state loans, handicapped access, fire code compliance, asbestos removal or encapsulation and PCB cleanup. A district may also levy a hazardous substance capital expenditure levy of \$25 per pupil unit not to exceed 2 mills to pay for the cost of asbestos removal or encapsulation and PCB cleanup.

In both of these additional levies, if a 2-mill levy does not raise \$25 per pupil unit, the state will pay the difference.

Capital Expenditure Levy and Aid
Example in Low Valuation School District

Gopherville School District

Number of Pupil Units	1000
EARC Value	\$10,000,000

Formula

$$\begin{aligned}\text{Formula Authorization} &= \$90 + \$5 \times \text{Pupil Units} \\ &= \$95 \times 1000 \\ &= \$95,000\end{aligned}$$

Limit

$$\begin{aligned}\text{Limit} &= .007(7 \text{ EARC MILLS}) \times \$10,000,000 \\ &= \$70,000\end{aligned}$$

Gopherville School District is limited to a levy of \$70,000. The difference between the limit and the formula authorization is paid as state aid.

$$\begin{aligned}\text{Capital Expenditure Equalization Aid} &= \text{Formula Authorization} - \text{Levy Limit} \\ &= \$95,000 - \$70,000 \\ &= \$25,000\end{aligned}$$

If Gopherville School District makes its maximum allowable levy of \$70,000, it is eligible for capital expenditure equalization aid of \$25,000.

A district with low property value may also qualify for state aid on the special purpose capital expenditure levy and on the hazardous substance capital expenditure levy. If 2 mills raises less than \$25 per pupil unit, the state aid will make up the difference. In this example, 2 mills times property value (.002 x \$10,000,000) will raise \$20,000; the maximum allowed is \$25 times pupil units (\$25 x 1000) or \$25,000. In this district, the district would levy \$20,000 (the amount allowed with the 2 mill limit) and the state would pay the remaining \$5,000.

Other Categorical Aids - 1985-86

1. Arts Education Aid - for offering elementary grade programs in creative dramatics, dance, creative writing, music, visual arts and film and video arts.

Arts Education Aid = the greater of \$2.25 per K-6 pupil or \$1,200 per district

2. Chemical Use Aid - for programs to minimize chemical use problems.

Chemical Use Aid = for greater of \$1.08 per pupil or \$1,080 per district

3. Courseware Purchase Subsidy - for the purchase of high quality courseware packages.

Courseware Purchase Subsidy = the lessor of \$1.00 per pupil or 25% of the actual cost of courseware

4. Health Screening Aid - for providing for a health and developmental screening program for children before they enter kindergarten.

Health Screening Aid = \$16.15 per child screened

5. PER Process Aid - a reimbursement for the PER (planning, evaluation and reporting) process.

PER Process Aid = the greater of \$1.00 per pupil or \$1,500 per district

6. Tobacco Use Prevention Aid - for developing tobacco use preventive programs.

Tobacco Use Prevention Aid = the greater of \$.52 per pupil or \$1,000 per district

Property Tax Relief Aids

Property Taxes Payable in 1986

The property tax relief aids replace property tax assessments with state payments. The effect is that the property taxpayer pays less than the taxes assessed on property and the state makes up that difference in a state payment to the taxing district. Tax relief aids include:

1. Homestead Credit

The state pays a portion of the homestead property owner's school tax through the homestead credit. Fifty-four percent of the property taxes on the first \$68,000 market value of homestead property up to \$700 per homestead are deducted from the homeowner's tax bill and that amount is then paid to the appropriate taxing district by the state in a ratio of the taxing districts' mill rate to the total mill rate for the taxing area. On agricultural property, the homestead credit is 54% of all property taxes, after the agricultural credit is applied, not to exceed \$700 and is applied to the entire farm. In calculating homestead property taxes, the amount of the homestead credit is subtracted from the property taxes and then that amount is paid to the school district by the Department of Education.

2. State School Agricultural Credit

As part of foundation aid payments, the state pays school districts the amount of the state school agricultural credit. The agricultural credit is 36% of the tax levy on the first 320 acres of homestead agricultural property, excluding the homestead dwelling and surrounding one acre but including other buildings and structures, and 26% of the tax levy on all additional homestead agricultural property.

The agricultural credit on non-homestead agricultural property is 26% of the tax levy. The credit on timber land is 26% of the tax levy. The credit on seasonal recreational property is 15% of the tax levy up to \$100. The agricultural credit provides school tax relief to agricultural property owners. In calculating farm property taxes, the amount of the agricultural credit is subtracted from the property taxes and then that amount is paid directly by the Department of Education to the school district.

3. Others

Other tax relief aids include wetlands credit (to owners of wetland, which could be drained but which is preserved in its natural condition), and native prairie credit (to owners of native prairie).

Tax Relief Aid

(For Property Taxes Payable in 1986)

City

Urban Homestead		
Market Value		\$80,000.00
Assessor's Estimated Market Value		70,000.00
Assessed Value		13,260.00
Gross Taxes+		
County (33 mills)		\$ 437.58
City (27 mills)		358.02
School (45 mills)		596.70
(105 mills)		<u>\$ 1,392.30</u>
Reduction		
Homestead Credit (54% up to \$700)	- \$	700.00
NET PROPERTY TAX	\$	692.30

Effect on Homeowners' Property Taxes

Tax without this credit	\$ 1,392.30
Property tax reduction	\$ 700.00 (50.2% reduction)
Tax after homestead credit reductions	\$ 692.30

Of the homestead credit, the school district is paid an amount equal to the ratio of the school district's mill rate to the total mill rate times the amount of the homestead credit reduction.

$$\frac{45}{105} \times \$700.00 = \$300.00$$

Tax relief aid paid to the school district = \$ 300.00

The \$300 is paid to the school district by the state and replaces a portion of the levy certified by the district.

+ These mill rates are in auditor's mills, not EARC mills.

Tax Relief Aid
(For Property Taxes Payable in 1986)

Agricultural

Farm - 320 Acres	
Market value	\$450,000.00
Assessor's estimated market value	300,000.00
(Assessor's estimated market value - homestead and one acre)	35,000.00
Assessed value	57,740.00

Gross Taxes+		
County (30 mills)	\$	1,732.20
Township (7 mills)		404.18
School (48 mills)		<u>2,771.52</u>
85 mills	\$	4,907.90

Reductions		
Agricultural tax credit (36% of the gross tax on the first 320 acres excluding the homestead & one acre)	-	\$ 1,616.90
Homestead credit (54% of taxes up to \$700)	-	<u>700.00</u>
NET PROPERTY TAX	\$	2,591.00

Effect on Farmer's Property Taxes

Tax without credits	=	\$ 4,907.90
Property tax reduction	=	2,316.90 (47.2% reduction)
Tax after credits	=	2,591.00

The total amount of the agricultural tax credit is paid to the school district by the state. The school district is paid an amount of the homestead credit equal to the ratio of the school district's adjusted mill rate* to the total adjusted mill rate times the amount of the homestead credit reduction.

$$\frac{45^*}{85} \times \$700 = \$370.59$$

Tax relief aid paid to the school district:

$$\$1,616.90 \text{ (ag)} + \$370.59 \text{ (homestead)} = \$1,987.49$$

The \$1,987.49 is paid to the school district by the state and replaces a portion of the levy certified by the district.

+ These mill rates are in auditor's mills, not EARC mills.

* An adjustment is made for the agricultural tax credit; in the example, the adjustment is three mills.

Effect of Tax Relief Aids on School District Revenue

Gopherville School District

	<u>Levy Amount</u>	<u>% of Total Levy</u>	<u>State Aid</u>
Maintenance	\$1,200,000	71.8%	\$1,500,000
Transportation	60,000	3.6%	220,000
Community Services	20,000	1.2%	12,000
Capital Expenditure	140,000	8.4%	-
Debt Service	<u>250,000</u>	<u>15.0%</u>	<u>-</u>
TOTAL	\$1,670,000	100.0%	\$1,732,000

Homestead Credit applied to property in the school district \$270,000
Agricultural Credit applied to property in the school district 300,000

TOTAL TAX RELIEF AIDS \$570,000

The school district levy amount is reduced by the amount of the homestead credit and agricultural credit that has been applied to property in the school district.

$$\$1,670,000 - \$570,000 = \$1,100,000$$

This is the amount of property taxes to be paid by property owners after reductions for homestead credit and agricultural credit.

The district receives the amount of homestead credit and agricultural credit as state aid.

$$\$1,732,000 + \$570,000 = \$2,302,000 \text{ (state aid)}$$

The amount of homestead credit and agricultural credit is applied to school district funds in the same proportion as that fund's levy is to the total levy.

The maintenance levy is 71.8% of the total levy; so 71.8% of the total homestead credit and agricultural credit is applied against the maintenance levy.

$$\$570,000 \times 71.8\% = \$409,260$$

In effect, the maintenance levy is \$790,740 (\$1,200,000 - \$409,260) and the corresponding state aid is \$1,909,260 (\$1,500,000 + \$409,260).

Education Finance Appropriations

	<u>1985-86</u>	<u>1986-87</u>
Foundation Aid	\$ 680,973,700	\$ 797,165,000
Retirement/Social Security	216,227,200	195,462,500
Transportation Aid	89,010,600	84,654,100
Special Education Aid	150,545,500	155,561,100
Community Education	9,017,800	9,952,500
Secondary Vocational Education	21,177,400	21,571,300
Gifted and Talented Aid	1,317,600	1,395,000
Arts School/Arts Aid	1,581,000	3,260,000
Summer Programs	7,878,600	7,400,000
Educational Improvement Programs	7,521,500	4,918,400
Nonpublic Student Aid	6,763,400	7,184,100
Public Libraries	5,128,700	5,260,300
Maximum Effort School Aid	2,390,300	2,585,300
Other Programs	16,081,800	15,587,000
TOTAL	<u>\$1,215,615,100</u>	<u>\$1,311,956,600</u>
Biennial Total		\$2,527,571,700

These are appropriation figures rather than entitlement figures. Most figures, except for 1985-86 Retirement/Social Security Appropriation, represent 15% of the prior year's entitlement and 85% of the current year's entitlement.

Property Tax Relif Aid Payments to School Districts

	<u>1985-86</u>	<u>1986-87</u>
State School Agricultural Credit	\$104,726,700	\$128,995,600
Homestead Credit	260,550,100	277,754,600
Wetlands Credit	299,000	344,500
Native Prairie Credit	88,500	105,300
Disaster Credit	42,900	70,500
Agricultural Preserve Credit	191,600	199,300
Attached Machinery Aid	834,100	834,100
Enterprise Zone Credit	331,600	409,500
TOTAL - Tax Relief Aids	\$367,064,500	\$408,713,400

These are appropriations figures rather than entitlement figures. They represent 15% of the prior year's entitlement and 85% of the current year's entitlement.

School District Property Tax Levies

	<u>1985-86</u>	<u>1986-87*</u>
Maintenance	\$1,001,059,540	\$1,089,361,500
Transportation	72,561,640	93,919,700
Community Service	23,410,040	28,740,000
Capital Expenditure	99,222,000	103,399,300
General Debt Service	105,389,660	116,500,200
TOTAL	\$1,301,742,880	\$1,431,920,700
Operating Fund Levies	\$1,097,131,220	\$1,212,021,200
Non-Operating Fund Levies	\$ 204,611,660	\$ 219,899,500

These are the levies certified (before applying the tax relief aids) for a specific year. Because of the revenue recognition shift implemented in the 1982-83 school year, 24% will be recognized in the previous fiscal year, the remaining 76% in the fiscal year for which it is levied.

Levies providing revenue for 1985-86 are certified in October of 1984 and paid in May and October of 1985; levies providing revenue for 1986-87 are certified in October of 1985 and paid in May and October of 1986.

*Estimated certified levy

State and Local Operating Revenue Available to School Districts

This chart includes only those portions of state aids and local levies that go for general operation of the school district. The state aids that are included are foundation aid, retirement aids, summer school, transportation, special education, secondary vocational, abatements, gifted, cooperation, educational improvement, and other programs. Levies included are maintenance and transportation. Levies are a net figure with the amount of tax relief aids subtracted. The proportion of the tax relief aids reflecting the maintenance and transportation levies they replace are included here.

Operating Revenues

	<u>1985-86</u>	<u>1986-87</u>
State Aid (1)	\$1,189,033,900	\$1,283,504,800
Permanent School Fund Earnings	25,700,000	26,300,000
Tax Relief (1)	302,828,200	337,597,300
Property Tax Levy (2)	<u>770,893,000</u>	<u>845,683,900</u>
	\$2,288,455,100	\$2,493,086,000
Aid Adjustment - Property Tax Shift (3)	\$ 14,000,000	---
Levy Adjustment - Property Tax Shift (3)	<u>\$ (14,000,000)</u>	<u>---</u>
Total Available Operating Revenue	\$2,288,455,100	\$2,493,086,000
Percent Revenue Change:1984-85/1985-86	+ 3.9%	---
Percent Revenue Change:1985-86/1986-87	---	+ 8.9%
Percent Operating Revenue From State Sources	66.9%	66.1%
Percent Operating Revenue From Property Taxes	33.1%	33.9%

(1) The state aid and tax relief aid figures are the appropriation rather than entitlement and for the most part are 85% of current year's entitlement plus 15% of the previous year's entitlement.

(2) The property tax levy figure is the amount levied for the school year. Because of the revenue recognition shift, 24% of the levy proceeds are recognized as revenue in the previous school year and 76% in the fiscal year for which it was levied.

(3) When the 24% shifted in one year exceeds the 24% shifted in the previous year, an additional aid subtraction is made. However, when the 24% shifted in one year is less than the 24% shifted in a previous year, additional aids must be paid. Also, 1985 legislation provided for a possible reduction of the revenue recognition shift if state revenues are adequate.